H. J. Heinz Company Annual Report 1974

"We are the right company in the right business at the right time."

That sentence from the message to shareholders is fortified by the picture on the cover, and by those that appear elsewhere in this report.

The Heinz name is being carried to the far corners of the earth in an era when many predict that the remainder of this century will see the food industry outstripping all others to record the most dramatic gains in its long history.

Wherever we take root, around the planet, people recognize that the Heinz presence portends a better life for all—for those who supply our needs, for those who buy and use our goods, for those who work in our employ.

It gives us the utmost gratification to see our influence extended so beneficially to so many hundreds of millions. We will strive by every means to merit their continuing trust.

H. J. Heinz Company
Annual Report 1974

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Annual Meeting

The annual meeting of company shareholders will be held at 2 p.m. on Wednesday, September 11, 1974, at World Headquarters in Pittsburgh. Formal notice of the meeting and proxy materials will be sent to shareholders about August 5, 1974.

Heinz

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Highlights

(In thousands of dollars except number of shares and shareholders and per share data)	1974	1973	% Change
Net sales	$ 1,438,251	$ 1,205,912	+19.3
Income from continuing operations	$ 55,520	$ 50,082	+10.9
Loss from discontinued and expropriated operations	—	3,530	—
Income before extraordinary items	55,520	46,552	+19.3
Extraordinary items	8,800	(25,000)	—
Net income	64,320	21,552	—
Per common share amounts:			
Income from continuing operations	$ 3.67	$ 3.31	+10.9
Loss from discontinued and expropriated operations	—	.23	—
Income before extraordinary items	3.67	3.08	+19.2
Extraordinary items	.59	(1.66)	—
Net income	4.26	1.42	—
Dividends	1.09	1.05	+ 3.8
Book value	29.42	26.25	+12.1
Additions to property, plant and equipment	$ 44,096	$ 48,322	− 8.7
Depreciation expense	22,535	20,950	+ 7.6
Net property, plant and equipment	276,701	259,083	+ 6.8
Working capital	323,904	286,065	+13.2
Shareholders' equity	$ 447,434	$ 399,607	+12.0
Number of common shareholders	10,492	10,304	+ 1.8
Average number of common shares outstanding	15,069,813	15,060,858	+ 0.1

To Our Shareholders:

Rather than indulge in any long-winded rhetoric, we will come directly to the happy point. For the 11th consecutive year, H. J. Heinz Company has achieved new highs in sales and earnings from operations.

It becomes difficult to tell the same story in different ways. That is so because the story is much the same —one of continued growth, with diversity and geographical spread insulating the company against local and temporary shocks.

The figures on the opposite page show what we accomplished in fiscal 1974—another record-breaking year.

Suffice it to say that the company's performance was outstanding, that the prospects ahead are bright, perhaps brighter than ever before.

Here is a quick summary of the factors pertinent to our record and our outlook:

• We find ourselves in the right business at the right time. Agriculture and the food industry will have top priority in a world of shortages. Rises in population and income will create unprecedented demand. Food will be the growth industry for at least the remainder of the century.

• The narrative sections of this annual report detail the elements of our success—innovative marketing, effective research in agriculture, greater efficiencies on the production front, rigorous profit-improvement programs, extensions of our sales reach. No single element accounted for all, or even a major share, of our record. Each was an important part of a positive effort.

• As fiscal 1975 began, the picture of the new Heinz was abundantly clear. We had invaded formerly unexplored markets. We had adapted quickly to external forces. We had formed alliances that could only strengthen our position. As a result, we found ourselves uniquely situated to take advantage of evolving opportunities, a worldwide marketer prepared to reach emergent areas of growing demand.

• We remain committed to meeting our obligations with respect to environmental needs. At the same time, we recognize that over-response to hastily conceived proposals—for problems real or imagined—can be detrimental to all of society. The critics must seek solutions other than the simplistic harassment of industries that have demonstrated remarkable talents for efficiency and ingenuity.

• An energetic search for acquisitions in food and food-related fields has enlarged the scope of our operations at an accelerating pace. Our continuing investments in plant and equipment have improved productivity and, therefore, profitability.

• As opportunities for our business grow, and as we grow to meet them, we must recognize the increasing public scrutiny of and concern about the role of food in our society. We believe it behooves industry leaders such as Heinz to be not only responsive but responsible to the consumer and to the requirements of the modern food industry. Obviously, our primary concern is to offer good food at reasonable prices. A reasonable profit is not an imposition on the consumer's pocketbook, as is sometimes implied, but makes it possible for us to reward our shareholders, to compensate our employees, to sustain our operations, and to provide the wherewithal that allows us to grow and thereby to undertake those activities—in which we take pride—listed in this report under Public Service.

• Experiments with wage and price controls ignore the fact that supply and demand still rule the market place. They create artificial shortages. They exert an unacceptable squeeze on profit margins when cost increases cannot be passed through promptly to selling prices. (A sales increase of more than 19 percent boosted our earnings from operations by less than 11 percent.) They stifle the incentive to improve production, which is, in the long run, the only way down from the inflationary spiral.

• As the world becomes increasingly interdependent, we are learning that we must not deny ourselves access to the skills

of others. The success of foreign companies in our domestic market has proved that the United States has no monopoly on managerial talent, or in marketing, research or applied technology. It is for that reason that Heinz has promoted a free interchange of personnel among its many worldwide units.

• Here and abroad, there are those who fear the rise of the multinational corporation, viewing it as a new and threatening element in our society. Along with most thoughtful analysts, however, we believe that the multinational corporation is a significant force for economic growth and development, bringing the advantages of large-scale production and distribution to millions around the globe. The United Nations, in a recent study, recognizes that the current criticism of multinational corporations applies to only a few companies, characterizing reprehensible activities as "uncommon." Most transnational companies, including Heinz, do not export jobs, do not interfere with foreign governments, and do not disrupt local economies, but, on the contrary, strive to be good and constructive citizens in the countries where they operate.

• Heinz management foresaw the huge potential of overseas operations well before the turn of the century, and has since enlarged its global market to cover more than 150 countries and territories. Today we are firmly rooted in areas where others are only beginning to struggle for footholds.

• In recent history, some of man's greatest technological advances have come in the growing and processing of food. Heinz has been a leader in those advances. This emphasis upon technology calls for more skilled employees taking greater pride in their jobs. Recently we concluded a three-year agreement with our unions that provides higher pay and other benefits for almost all our U.S. factory employees. It would be naive to deny that this contract will place a greater burden upon our profitability. We see it as a challenge that will require an even greater commitment to productivity and control of costs.

• Fiscal 1974, with its free-for-all battle to acquire scarce raw materials, and with the increased costs of agricultural commodities, demonstrated that much of our success can be traced to exceptional skill in procurement. It is likely that, in the years and decades to come, the over-all fate of the food industry will depend upon the ability to secure the materials required for manufacturing. Through our geographical spread that offsets local and regional crop shortages, and our ability to make a major portion of our own containers, we expect to survive and prosper no matter what difficulties may affect future supply. Few if any companies can match our capabilities here.

• Shifting patterns of affluence have brought a concomitant rise in the numbers of people demanding convenience foods. The past year saw the Heinz label displayed in areas where few food labels of any kind were visible before. A realignment of our distribution patterns will give us even wider access to consumers in the future.

Those are some of the factors in the new dynamics of business. We find ourselves better equipped than ever before to cope with them.

We are committed to improvement on every front. We plan to boost our earnings per share, over a five-year period, to establish a new growth rate even higher than that of recent history. We expect to raise our return on investment, which has been climbing since 1966 but which still stands short of our goals. The same expectation holds true for return on net sales.

We are particularly hopeful that we will gain a higher market value for our shares as the investment community takes further note of the strength of our position, the consistency of our growth, and the unabated prospects for our future.

We thank the shareholders who have kept faith with us, and our world family of employees whose individual efforts have contributed so much to our over-all strength.

We close this message with an amplification of the statement we made earlier:

We are the right company in the right business at the right time.

Henry J. Heinz II

Chairman

R. Burt Gookin

Vice Chairman and
Chief Executive Officer

President and
Chief Operating Officer

Anthony J. F. O'Reilly   Henry J. Heinz II   R. Burt Gookin

Marketing

Heinz companies extended their reach, breaking through traditional market boundaries. The Heinz label advanced into geographical areas where its exposure had formerly been vague or invisible. Product change and innovation marked the year; at the same time, many existing products continued in high demand, proving they still held unrestricted potential for growth.

In the United States, inflation and price controls dominated the economic news. Awareness of an energy problem, present and forthcoming, colored the outlook. Shortages and rising costs of ingredients forced a thorough review of production planning.

Happily, Heinz U.S.A. was ready with procedures that cut costs while maintaining consumer acceptance and indeed improving nutritional balance. We weeded out certain products so that we could concentrate plant capacity upon those items for which demand and profitability were greatest. We telescoped lead times from original concept to production and distribution.

Our share of market for ketchup reached another high at close to 40 percent, far outpacing the combined volume of our two closest competitors. A new 40-ounce size quickly took hold, requiring only five weeks to reach sales levels scheduled for three months ahead.

Four new barbecue sauces with tenderizer emerged. The new product scored record highs in consumer tests. Sales have been made to a number of major accounts, including three large grocery chains that never before stocked Heinz barbecue sauces of any kind. Increased promotion on behalf of 57 Sauce sent Heinz's share of the steak sauce market past its former level of 27.5 percent.

The growth of foodservice sales more than doubled the industry rate, as 14-ounce ketchup, pickles and soups expanded their shares of this vast and growing market. Heinz ketchup, in particular, reinforced its position as a virtually universal hallmark of quality in foodservice operations.

Heinz U.S.A.'s first frozen product, a pizza for school use, moved into national distribution and quickly established itself as the most successful new product in our foodservice history.

Star-Kist Foods made further progress on its various fronts, once more stepping up its sales and shares of market.

Sharp rises in meat prices stimulated Star-Kist tuna sales. The entire market grew substantially; Star-Kist's estimated 25 percent share was the highest ever.

The total cat food market grew by 24 percent. Star-Kist's 9-Lives brand widened its leadership in the $430-million canned food segment by significantly topping the industry growth rate. Five new 13-ounce items brought the total line to 21.

Effective promotion brought gains also in the $141-million dry food segment.

Star-Kist moved closer to a merger of one of its subsidiaries with Ocean Fisheries, a San Diego-based tuna fleet operator, as directors of both companies approved the plan.

Ore-Ida Foods rapidly widened its reputation as a major processor of frozen food products for both the retail and foodservice markets, with retail tonnage unsurpassed by any competitor. Initial response to the introduction of three flavored varieties indicates that over-all sales of the Tater Tots® line should grow by 20 to 30 percent in the current year.

Heinz-Canada, in spite of greatly escalating costs for commodities, packaging materials and energy, preserved the strong sales and profit performance of the past two years.

The year's most significant marketing development was the company's invasion of the retail frozen food field. Ontario-wide promotion of 14 main-dish meals reached more than 80 percent of all homes.

British society went through a series of upheavals almost unprecedented in peacetime. The pound floated erratically. The three-day week slowed many of the country's industries, although food manufacturing and ancillary activities were exempted. Shortages developed, notably in packaging materials. The energy situation grew critical.

France is a handsome *fille* brimming with *joie de vivre* at a sidewalk café in Paris, where she can observe those who pass and who also observe—an old railroad station's second-story restaurant, restored to its turn-of-the-century magnificence.

Heinz has markets in France... also in Canada, Afghanistan, Tanzania, Kuwait, Haiti, Okinawa, the Virgin Islands, Czechoslovakia, Uruguay, Tunisia, Sweden and Cyrenaica.

Riding above the storm, Heinz-Britain strengthened its position during the year, with sales up by 8 percent on a tonnage basis, for a new record, and with profitability comparable to that of only the most efficient food manufacturers.

Soup sales rose by 10 percent to record levels in a year that saw every competitor lose brand shares. Three new varieties registered the most successful soup range extension ever mounted by the company.

Pasta sales grew by 20 percent, setting another record. Heinz's share of the canned spaghetti market shot up to 74 percent. Volume for the more expensive complete snack pasta products swelled by figures of 25 to 70 percent.

After two years of testing, the company advertised sandwich spreads nationally for the first time. Results were gratifying, with sales volume up by 30 percent.

The year's outstanding marketing event was the climax of a 21-month campaign to relaunch baby foods in cans. The year ended with Heinz's market share standing at 74 percent. (On a worldwide basis, Heinz sells more baby food than any of its competitors.)

Heinz baked beans—now as much a family friend as a protein staple of the British diet—scored their highest market share in recent history, at 58 percent. Other products showing exceptional sales gains were pickles, canned

salads and ketchup. Heinz's share for ketchup—one of its oldest varieties—established a historic high of 55 percent.

Heinz-Britain launched canned dairy desserts, made with full cream milk and offered in four flavors. Test marketing in Lancashire accomplished record sales volumes and distribution levels.

In foodservice, the emphasis was on innovation. Five product introductions helped to boost sales by 29 percent.

Acquisitions and joint ventures played an important part in Heinz-Britain's planning. The company completed arrangements for a majority stake in the Burcros Group, mushroom growers and mushroom compost distributors. Reaching across the Channel, the company made a link with Source Perrier to form a 50-50 joint venture, Heinz-Perrier, based in Paris. Heinz-Perrier, in turn, took an 80 percent holding in Groupe Somycel, the world's leading mushroom spawn producer, and a similar holding in the spawn interests of W. Darlington & Sons, which will be incorporated into a company to be known as Darlington Mushroom Laboratories.

Another joint venture involved the formation of Heinz Sagima (Maroc) in Morocco. The agreement, signed in Casablanca, calls for 50 percent participation by the Moroccan partners. The new company is building a processing plant in the fertile basin of the Sebou river, an ideal area for the growing of tomatoes and beans.

In Italy's volatile economy, the food industry was particularly affected by a sharp upswing in procurement costs together with worsening scarcities of key packaging materials. No relief has been found from a price freeze imposed in July, 1973.

Plasmon finished the year well, with a firm grip on its market shares and with a satisfactory economic performance. It bolstered its leadership in the infant feeding market—already evident in the high-volume grocery channel—by rising to dominance in the smaller but influential pharmacy channel.

Sales of fruit juice, introduced only six years ago, rose by 67 percent. Plasmon is the only Italian food manufacturer offering both standard and thick fruit juices.

The pastina line, infant-feeding milks and baby cheese all made volume gains. Ergo Plasmon, a new powdered-chocolate milk additive, rapidly rose to third place in an expanding category. An independent survey ranked it among the 10 most successful food introductions of 1973.

The company further broadened its basic line of infant products with "first-months" biscuits, special snack varieties of strained meats and fruits, and a new offering of thicker fruit juices.

Heinz's Central European organization, headquartered in Brussels, made strong gains in all its markets—Belgium, France, Germany and The Netherlands—to end the year with an over-all sales improvement of 20 percent. Gross profit margins continued to rise. New packaging, extension of product lines and a successful search for new market opportunities added to Heinz's fortunes.

The Dutch company revived sales of its long-established sandwich spread by reformulating recipes and presenting three additional varieties. A new line of canned salads drew enthusiastic trade and consumer response.

Foodservice sales moved forward strongly. Sales went up by 20 percent, thanks in good part to impressive showings by mealtime soups, larger containers for condiment sauces (including the imaginatively named "fritchup"), new relishes and repositioned dessert toppings.

In Belgium, Heinz ketchup increased its dominant market share. The baby food line withstood strong competition, and foodservice sales of ketchup and soups advanced.

Heinz held its leading market share for ketchup also in France. (The formation in that country of Heinz-Perrier and its subsequent acquisition of Groupe Somycel are discussed above.)

The German market responded well, with sizable sales gains in most product categories. Particularly gratifying was the reception of such new products as gourmet soups, three condensed soups, ketchup in jerrycans, and a five-flavor range of condiment sauces.

Japan is a housewife clad in kimono and obi, musing whether to haggle over prices at a Tokyo sidewalk stall—Yanagi-no-ma, the Willow Room, in an elegant-simple hall whose patrons await piquant sauces for their rare and expensive Kobe steaks.

Heinz has markets in Japan…also in Kenya, Portugal, Iceland, Guadeloupe, Israel, Paraguay, Aitutaki, Norway, Nicaragua, East and West Germany, Uganda and St. Pierre and Miquelon.


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Export sales to other European countries were especially encouraging. Significant orders from East Germany for condiment sauces hold the promise of major new business openings in other markets of eastern Europe.

The Portuguese company introduced baked beans and looked to a 15-20 percent increase in home market sales. We acquired the outstanding minority interest in the company and now have 100 percent ownership.

Venezuela's role as a principal member of the Andean Pact—South America's Common Market—began to bear fruit in the area of raw material acquisition.

The baby food line scored dramatic sales gains and ketchup's share of market once again reached record levels. Alimentos Heinz now boasts several market leaders and is moving up quickly in other product categories.

Australia prospered through an inflationary period as its dollar grew stronger. The country remained almost self-sufficient in oil products and had large reserves of alternative energy sources.

Heinz-Australia's sales rose sharply in both the retail and foodservice markets. Export sales figured prominently in the company's performance.

Market shares went up for baked beans and spaghetti, helped by the introduction of 32-ounce packs for both. The company boosted its sales of canned soups, tallying its greatest share-of-market gain in a decade. Spearheading the effort was 30-ounce Pot o' Soup. Sales advanced by 45 percent for variety soups and by 20 percent for tomato soup.

The Stanley Wine Company's bottle and flagon sales doubled, to reach an annual volume more than three times as great as the company had achieved before its acquisition by Heinz in 1971. Popular demand exhausted stocks of some bin vintages, with supplies of others barely sufficient to satisfy the backlog of orders before the appearance of the 1974 vintage. This trend is permitting the company to divert an increasing share of its output from bulk sales to the more profitable bottles and flagons. A national launch of a range of Clare vintage wines in consumer packages almost immediately produced a near sellout.

Epicure Continental Food Company, acquired in calendar 1972, integrated its catering packs into the Heinz Foodservice Division and came to the end of the year with a 33 percent advance in sales volume.

Foodservice sales shot up by 60 percent. The division's new mini-pak portion control in four varieties fared so well that the range will be extended. Also introduced were thick set fruit dessert, three additional varieties of canned salads in oil and vinegar, and an all-purpose condensed brown gravy for meat dishes. A contract negotiated with the Pizza Hut fast food chains for an exclusively formulated tomato puree points the way to further developments in specialty gravies and sauces.

A number of factors accounted for a sizable jump in export sales, with markets opening or expanding in Southeast Asia, the South Pacific and the Middle East.

Heinz-Australia purchased the assets of Baltic Merchandising Pty. Ltd., a small but profitable importer of specialty foods with a wholesale license for imported beer, wines and spirits. Most of the products it imports are not competitive with those offered by Heinz, so that total range will widen.

The company has purchased the Greenseas Operation, a fish processor whose chief plant is in New South Wales. Greenseas processes canned tuna, salmon and some by-products.

Japan's real gross national product climbed by 11 percent, but clouds appeared on the horizon in the form of unchecked inflation, union demands for sizable wage increases, and government plans to freeze prices of various items, including foods.

Nichiro Heinz logged its third successive year of profitable operations as after-tax net earnings moved up by 48 percent on a 43 percent increase in sales.

England is high tea on a green and pleasant lawn in Bisham, not far from the Thames—a pink-cheeked imp eager to get home with her purchase before the drizzle starts afresh.

Heinz has markets in England... also in Denmark, Martinique, Lebanon, Liberia, Thailand, Tahiti, Zambia, Yugoslavia, Lichtenstein, Morocco, Indonesia, Peru, Friendly Islands and Vatican City.

The company gave Japan's retail consumers their first ready-to-serve soups, a four-variety line budgeted to triple in sales during the coming year.

In response to demand by distributors and foodservice customers, the company provided white sauce in large cans.

Significant sales gains were tabulated for a variety of retail products, most notably for condensed soups, white sauce, and demiglace sauce. In the foodservice trade, sales jumped for spaghetti meat sauce and two sizes of demiglace sauce.

Total foodservice sales expanded by 30 percent with the first successful penetration of golf clubs, Mah-Jongg parlors, resort hotels, inns and other outlets that benefit from the booming trend in leisure.

Nichiro Heinz appointed a new sales agent, Mitsubishi Corporation, whose influential position in food distribution is expected to bring a dramatic upsurge in volume.

The company moved further to meet Japan's needs by importing and selling a number of Heinz products made elsewhere. These included pickle varieties from Canada, vegetable and potato salads from Britain, and Great American Soups from the United States. Other products for the retail and foodservice markets will be added, maintaining or expanding the average annual growth of 100 percent in import sales of the past four years.


OUR COFFE
EACH CUSTOME


HEINZ
BAKED BEANS
HELLMANN'S REAL MAYONNAISE
Sharwoods
Major Grey CHUTNEY
Wall's
STEWED STEAK WITH GRAVY
Sharwoods
BOMBAY DUCKS
LIN-CAN
Broad Beans
HEINZ
Sandwich Spread
HEINZ
Cucumber Spread
celery salt
HEINZ
Turkey & Ham

It is inevitable that the remainder of this century will make certain demands upon food processors—for greater production to meet the demands of a hungry world—for maximum utilization of raw products and packaging materials—for cost-cutting procedures that will help to keep down prices to consumers—for freedom from the threat of crippling shortages—for improved product quality and safety—for better warehousing and distribution mechanisms to ensure the most efficient movement of goods.

These considerations dictated an aggressive program of capital expansion last year.

Cans and ends are rolling out of Heinz U.S.A.'s Pittsburgh factory in the nation's most modern food can plant. The complex will be completed during 1974.

The spectacular success of Heinz U.S.A.'s new frozen pizza for school use led to a program of operational improvements that surpassed estimated production standards and permitted conversion to a double-shift operation.

In a major expansion at Muscatine, Iowa, facilities were converted for production of Star-Kist's meat-based 9-Lives cat food, as well as traditional Heinz U.S.A. products.

Star-Kist installed a fifth can line and placed into full operation a new coil cutting and coating complex at Terminal Island, California. Under construction at the same location and scheduled for completion in the current fiscal year is a 150,000-square-foot warehouse designed to reduce cost, increase efficiency and improve control of shipping and inventory.

In Samoa, a 2,000-ton cold storage unit and 120-foot dock extension will reduce costs and speed the unloading of fishing vessels. Another building to contain can-making equipment will go into operation in November.

Ore-Ida moved vigorously on a major expansion of manufacturing facilities at Ontario, Oregon. A new line with automatic load control will increase Tater Tot® production by 7-10,000 pounds per hour.

Heinz-Canada completed an 80,000-square-foot can-making facility, its first, at Chatham, Ontario, near its Leamington manufacturing site, with capacity to meet almost all of the company's requirements. Other programs will greatly expand tomato paste production at Leamington and will strengthen Galco Food's dominant role in frozen industrial poultry products, with facilities at the Toronto plant considerably enlarged for the retail launch of frozen food products under the Heinz logotype.

Capital improvements by the British company concentrated on enlargement of capacity, reduction in labor cost, and environmental measures. The Harlesden factory will gain added production of sandwich spread, soups and improved vegetable and potato salad varieties. At Kitt Green, production of beans and sausages will be extended. The Standish factory will have a new 130,000-square-foot manufacturing building to accommodate new lines for pasta and soup and the existing line for ketchup. Standish also completed the first stage of a project to beef up ravioli capacity and began work on the second stage, which will include a new filling line. At Coleraine, Northern Ireland, completion of a second aseptic line has trebled capacity for Heinz milk products.

Ingenious emergency measures, requiring flexible use of facilities and rescheduling of product runs, maintained continuity of production during the worst of Britain's energy crisis in the winter of 1973-74.

Plasmon's new biscuit production line at Latina, in southern Italy, went on-stream in March. A second line began full-volume production in July. Together, the lines—using only two shifts, as against three at the old Milan facility—will raise output by 20 percent, with improved quality and at lower cost. The ultramodern biscuit plant enjoys an exceptional efficiency rate of 95 percent.

Also at Latina, the company installed a plant for production of fruit juices, and began installation of equipment for in-house packaging of Ergo Plasmon. (See Marketing.)

The Central European organization built a modern supply warehouse and installed equipment at the Dutch company's Elst factory to produce economical, high-quality milk proteins for use by Plasmon in Italy.

Hong Kong is a tireless woman with a backborne babe, patiently wielding the scull of a sampan—a deckside meal with ketchup on rice, spaghetti from cans, both returned full circle after their Asian origins.

Heinz has markets in Hong Kong . . . also in Austria, Laos, Brazil, Philippines, Belgium, Saudi Arabia, Aruba, South Africa, Gibraltar, Guatemala, Congo, Christmas Island and Lourenço Marques.

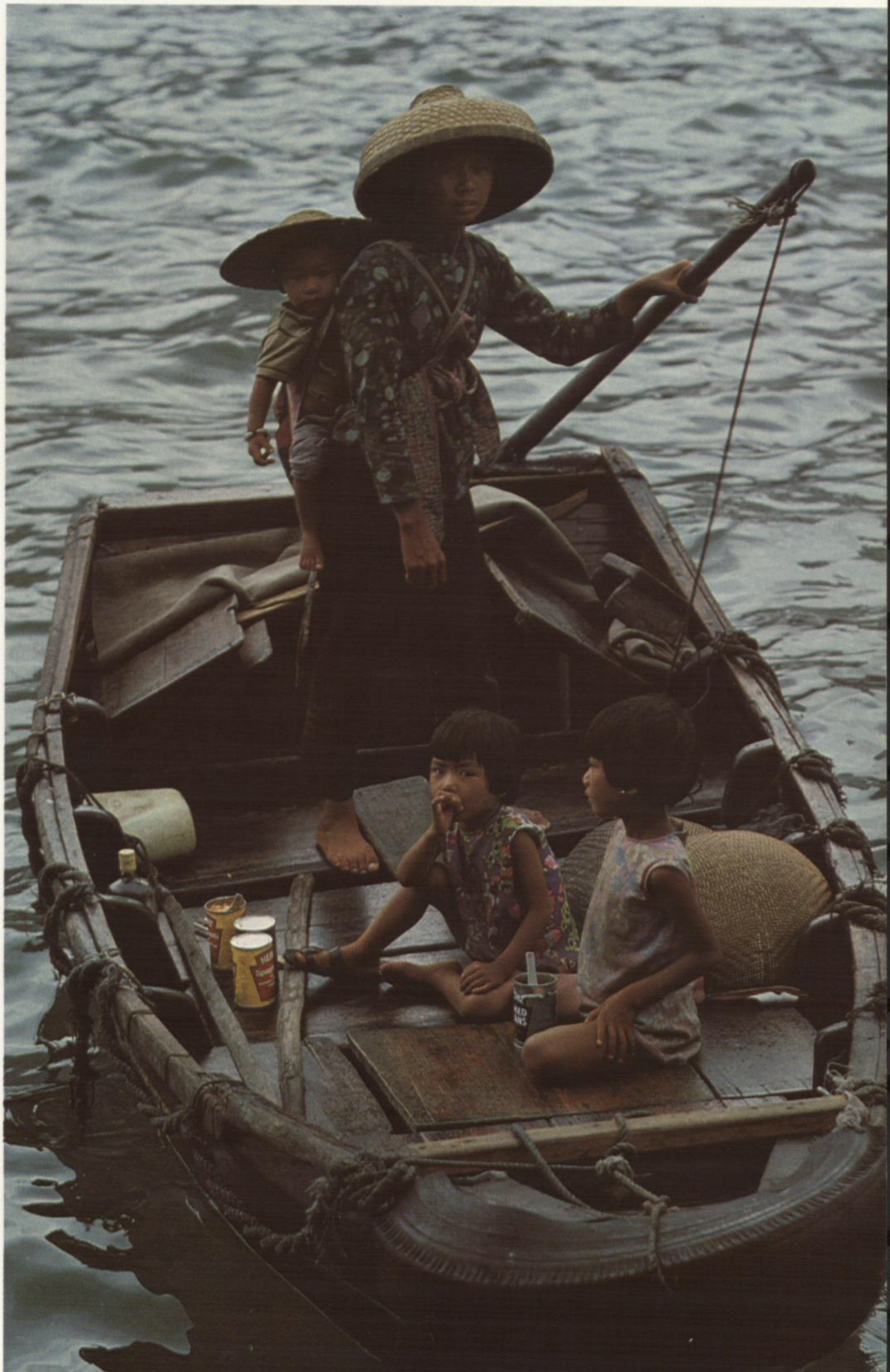
An example of quick adaptation to crisis came when the oil embargo hit hard at The Netherlands. Officials at Elst promptly drained a large water tank and filled it with a six-month supply of oil—at a price less than half that which was later to prevail.

The Portuguese company centralized its production by closing down the factory at Vila Franca and transferring all manufacturing equipment to the factory at Benavente.

In Venezuela, Alimentos Heinz installed production facilities for its new mayonnaise line. Machinery and equipment improvements at the San Joaquin factory helped to raise output of canned foods by 20 percent.

Heinz-Australia introduced a system that will shrink-wrap entire pallets of product to reduce pilferage, avoid loss and damage in transit, and eliminate the need for further protective coverings. Other improvements include a pallet and bin sterilizing and washing unit to guard against infection of incoming raw material; two multipurpose bean sorting units; equipment for extraction and drying of tomato seed; and a labor-saving automatic carton caser and palletizer.

Nichiro Heinz completed a two-year expansion of its manufacturing facilities. The company's production in Japan has now been doubled as a result of the program.




MG1762AU


HEINZ BAKED BEANS
HEINZ TOMATO

The challenge was already formidable—to find raw resources adequate to the needs of a world whose population continues to multiply and whose consumers are demanding more and better food

The problem has become critical. Hunger and starvation have been aggravated by human numbers and natural calamities. Scarcities and rising costs have taken their toll. In underdeveloped areas, agricultural gains have been offset by after-harvest losses due to the lack of facilities for holding and distributing food.

It should be remembered that Heinz is more than merely a processor and marketer of foods. From our beginnings, we have focused our concern upon the raw materials that feed our factories. We have been active hunters, ranging the world to find and develop new sources. We have applied the capabilities of our technical staffs to encourage suppliers toward greater production. We have shared what we have learned to help others achieve more efficient modes of storage and distribution.

Heinz U.S.A. slightly exceeded its requirements for cucumbers and met those for tomatoes, in spite of the worst weather conditions within memory. It introduced three new varieties of cucumbers and six of tomatoes. The research station in Cleveland, Mississippi was expanded with the construction of a fully-automated greenhouse facility.

New goals were reached on two key technological fronts—bulk handling and mechanical harvesting. Every Heinz growing area but one now practices bulk handling of tomatoes. Mechanical harvesting produced a record yield of cucumbers in Michigan.

Star-Kist stepped up its operations, primarily through the use of larger and faster vessels.The merger agreement with Ocean Fisheries will produce an immediate addition to Star-Kist procurement capabilities.

Ore-Ida's new Agricultural Research Department completed its first year with a convincing record of improvement in four key areas: crop yields and quality; raw product quality; storage and handling; and raw product predictability.

Heinz-Canada followed its traditional policy in crop procurement, which calls for direct involvement with primary producers wherever possible. It stressed greater access to all Canadian sources in order to reduce dependency upon foreign suppliers.

The British company's wide-reaching procurement strategy proved its worth—particularly for tomatoes and beans—in a year that brought repeated shortages and a worldwide hunt for raw ingredients. Mechanical harvesting of tomatoes leapt forward in Europe under a rapidly changing work environment.

The formation of Heinz Sagima (Maroc) in Morocco opened a fertile area for cultivation of tomatoes and possibly of navy beans. Work is proceeding satisfactorily on new, economical tomato paste sources in Greece and Turkey as well.

Heinz-Britain experimented in domestic growing of navy beans, and early results of navy bean-growing trials in northern Africa are described as encouraging.

The Central European organization stepped up its global search for high-quality ingredients. It made its first commodity purchases in eastern Europe, at prices generally more favorable than those prevailing in the West.

In Portugal, with labor becoming scarce and wages up by 50 percent, we introduced tomato, cucumber and pimiento varieties suitable for mechanical harvesting.

Alimentos Heinz set aside a large tract of land to serve as a demonstration ground for the training of Venezuelan farmers in modern techniques and to furnish raw material for the San Joaquin factory.

In Australia, severe weather cut supplies and raised the cost of tomatoes, peaches, and pod-

Italy is restless *bambini* on a terrace overlooking the tiled roofs of Rome—a first-communion party on the Appian Way, the 350-mile-long road over which Caesar's legions once thundered.

Heinz has markets in Italy... also in India, Iraq, Bolivia, Taiwan, Puerto Rico, New Zealand, Algeria, Ecuador, Iran, Korea, Seychelles, Dominican Republic and Gilbert and Ellice Islands.

bearing plants, including navy beans. Climatologists consider last year's excessive rainfall a cyclical phenomenon, and look forward to a succession of good harvests like those of the period between 1956 and 1970.

Mechanical harvesting of tomatoes was expected to rise to 39 percent of the total Heinz crop. Three new varieties suitable for the technique were tested in time for greater commercial use during the 1974-75 season.

Two new growing areas for high-quality early varieties of carrots showed great promise. First-year procurement of cucumbers for the Epicure line was an outstanding success, with crops of excellent quality and yields higher than expected.

Purchase of the Greenseas Operation gives Heinz-Australia its first independent access to tuna and other fish and strengthens Heinz's over-all capability for harvesting the world's ocean resources.

An effective spraying program saved almost all of Stanley Wine's Clare Valley grapes from the onslaught of humidity-borne downy mildew, which inflicted damage to growers elsewhere estimated at between 30 and 50 percent of crop value.

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In an organization such as ours, it becomes increasingly difficult to draw fine distinctions between public service and private pursuits.

On the one hand, our primary business—the processing and marketing of convenience foods—has become an essential activity in contemporary society. It has upgraded diets, reduced spoilage, rescued homemakers from long hours in the kitchen, and created a fantastic variety of offerings from around the world.

On the other hand, those efforts that come under the heading of public service produce results that we recognize as good for our own welfare. When we conserve resources—when we establish favorable community relations—when we help farmers to prosper—when we devote capital to preserve the environment—when we foster education in nutrition—when we support careers in the food industry—when we help the disadvantaged to move up the economic scale—when we provide direct aid to the distressed—it is then that our actions serve purposes practical as well as moral.

This philosophy derives from the belief that in business, as in medicine, prevention deserves as much concern as cure.

That belief is not new at Heinz. Case after case proves that we have anticipated societal needs long before they became widely visible to the public eye. As it has done in the past, Heinz will continue that good work with a willing spirit.

Aware that the era of energy abundance was coming to an end, Heinz U.S.A. formalized a Utilities Conservation Program in June, 1973, long before the specter of shortages made front-page headlines. The program, in effect at all factory locations, projects savings of up to 11 percent in fuel, 9 percent in steam, 15 percent in electricity and 12 percent in water.

Work went on in the Pittsburgh factory's power plant boiler conversion. When the project is completed in 1975, its flexibility will make it possible to fire the boilers with gas, oil or coal, or any combination of coal with either of the other fuels, according to materials availability and environmental regulations.

Heinz management has led the way in steps toward adoption of the Universal Product Coding system, which will use electronic scanners to speed checkout procedures and control inventories, with savings to both consumers and supermarket owners. Vice Chairman R. Burt Gookin guided the effort in his two years as chairman of the Universal Grocery Code Ad Hoc Committee. The UPC symbol is now being printed on the neckbands of ketchup bottles and on the labels of other packages.

As the leading supporter of foodservice education for the past 20 years, the company has conducted a "Careers for Youth" program that makes booklets, filmstrips and other materials available to students and recruiters. The Heinz-NIFI (National Institute for the Foodservice Industry) program awards annual scholarships for study in foodservice, along with training grants for teachers who wish to become instructors in the field. In addition, the company grants annual Food Distribution scholarships for study at universities in the East, Midwest and West.

"Newtrition Now," a unique school-community education program, went into its second year with Heinz U.S.A. as co-sponsor. It combines instruction and field trips to supermarkets with dental and physical fitness testing by health care professionals. Company representatives also work closely with various organizations to present nutritional information programs to low-income families and to counsel community service groups on the preparation of economical and healthful meals.

The Heinz Youth Motivation Task Force, composed of black employees, concentrated in its sixth year on person-to-person contacts with students at a Pittsburgh junior high school. The company supported minority education with contributions to college fund-raising units and took part in the National Alliance of Businessmen's program of visits to black colleges. It also participated in Pittsburgh's annual Black Solidarity Fair; sponsored an award in the annual competition conducted by the National Newspaper Publishers Association, whose membership comprises the country's major black newspapers; and gave strong financial and staff support to the Willie Stargell Celebrity Tournament for the benefit of sickle cell anemia research.

Regular food supplies went to community service agencies, drug

Nigeria is a stately woman bearing a tray of food (a special treat, these baked beans, and don't spoil our enjoyment by talking to us about proteins)—bright-hued garments at a kith-and-kin Sunday lunch in Lagos.

Heinz has markets in Nigeria... also in Greece, Singapore, Luxembourg, Egypt, Bulgaria, Argentina, Vietnam, Finland, Spain, Guam, Malta, Malawi, Chile and Fiji.

rehabilitation centers and other organizations helping the disadvantaged.

Ore-Ida began operation of its new secondary waste treatment facility at the Ontario, Oregon factory, with reductions as high as 95 percent in secondary treatment alone. The company plans to enlarge the facility as scheduled increases in processing capacity become effective.

At Burley, Idaho, Ore-Ida installed a new and larger filter to reduce the load on its secondary treatment plant. The improvement is expected to raise removal of solid wastes from 40 percent or less to a level approaching 95 percent.

Heinz-Canada's reputation as a good corporate citizen served it well in a period of growing economic nationalism. The Mayor of Leamington credited the company with assuming a large share of the cost for a major addition to the town's pollution control center. Heinz-Canada also gave financial assistance toward the celebration of the Leamington centennial this summer.

Company representatives worked closely on the program to meet government guidelines for universal product coding and a planned shift to metric measurement.

Taking note of the government's increased involvement in education, social welfare and recreation, Heinz-Canada decided to direct more of its grants toward people-oriented programs that encourage individual excellence and human fulfillment.


Coca-Cola
Coca-Cola
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HEINZ

As the country's leading baby food manufacturer, Heinz-Canada disseminated information on nutrition by means of mailings to new mothers and replies to hundreds of letters received each week. In co-operation with the Canadian Institute of Food Science and Technology, it provides an annual scholarship for study in the field. "The Heinz Seminar" remained a feature of the Canadian Pediatric Society's annual meeting, with outstanding papers presented by world-renowned physicians.

In Britain, Heinz conducted a Social Responsibility Audit to monitor its own activities and preserve the reputation it has gained over the decades among its many publics.

The company reviewed its entire baby foods line and made important organoleptic and nutritional improvements, including the raising of protein levels. It continued research into product purity, particularly on matters of consumer interest. It gave substantial support to the British Nutrition Foundation and to various food research associations.

Among the beneficiaries of the company's medical grants were the Heinz fellowships in pediatrics, the Heinz research fellowship in gastroenterology at Queen Elizabeth Hospital for Children, and the Department of Postgraduate Studies at Central Middlesex Hospital.

Other donations went to Brunel University and to a number of organizations dealing with the underprivileged, with youth, and with the environment. Still other organizations received company gifts of goods.

New items were added to the visual aids supplied to schools to promote education in good basic nutritional and cooking practices.

Plasmon enhanced its image as one of Italy's foremost authorities in the field of infant nutrition. It organized a congress on "Nutrition, Growth and Development," attended by pediatricians, obstetricians, psychologists and other experts (including Nobel Laureate Daniel Bovet, who pioneered in the production of antihistamine). After the congress, the 250 participants traveled south of Rome to visit the Latina factory.

In collaboration with the National Institute of Nutrition and the Order of Italian Pharmacists, the company sponsored various refresher courses to strengthen its links with the medical profession.

The "Silver Paint Brush" art competition—sponsored by Plasmon and conducted by the Maser Psychographic Center—drew more than half a million entries by primary and junior school students.

The Dutch company furthered environmental control through improvements in its handling of waste water at Elst. As the community's leading employer, the company encouraged its workers in such activities as membership in the town council and participation in civic and church affairs.

With unusual foresight, Heinz-Australia established a committee of senior management in 1964 to evaluate the impact of the company's operations on the local and national environment. A study in 1974 confirmed the effectiveness of the committee's work, as a State Environment Protection Council Officer gave Heinz a clean bill of health on all counts—utilization of resources, waste disposal, and handling of other incipient environmental problems.

The company donated large quantities of food for relief of victims of the massive floods that struck Northern New South Wales and Queensland in 1973 and 1974. It provides continual support upon request from organizations caring for underprivileged families, and helps to pay costs incurred by these and other charities to send children to summer camps.

Aid to medicine and nursing continued. A three-year grant-in-aid to Melbourne's Howard Florey Institute of Experimental Physiology and Medicine financed a successful study of the metabolism of salt in humans. The winner of the eighth annual Heinz Overseas Scholarship for Nurses chose to study community health service in Europe and the United States, with emphasis on care of the very young. Heinz maintained its long-time support of the Children's Medical Research Foundation in Sydney.

The Heinz Australian Aria, a competition for young singers, celebrated its 20th anniversary, with 15 of the former winners now internationally recognized as lead singers and three performing publicly in Europe.

America is a picnic of teen-agers on a windy beach more rock than sand—a meal of tuna alongside the Golden Gate Bridge to celebrate the largesse of the generous sea.

Heinz has markets in the United States... also in Australia, Ghana, East and West Malaysia, Jordan, Switzerland, Colombia, Sudan, Ceylon, Sierra Leone, The Netherlands, Society Islands and Madagascar, plus more than 50 other countries and territories, large and small.


Star-Kist

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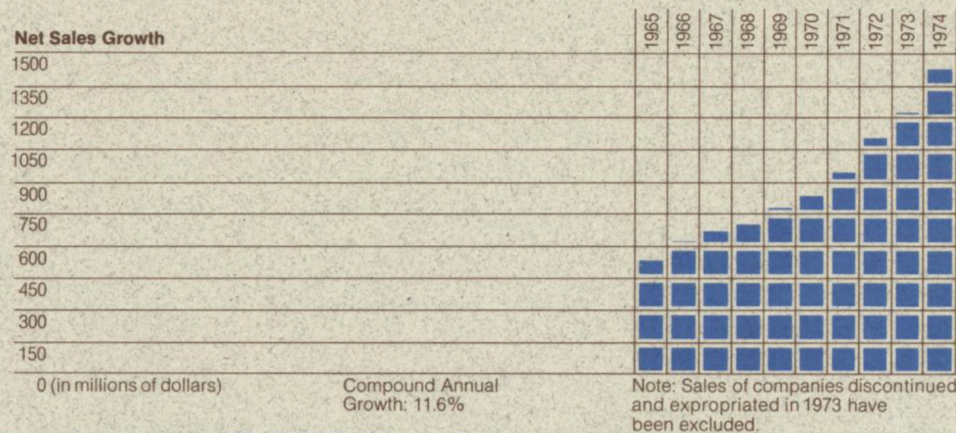
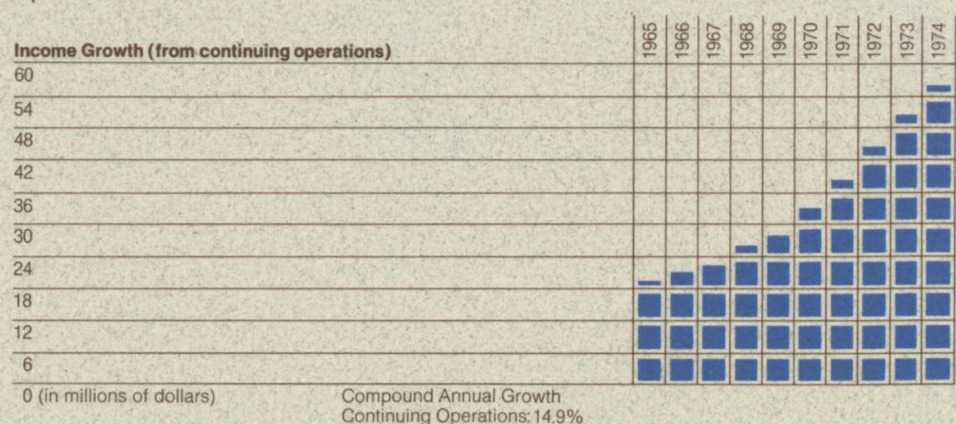
Sales

Net sales were $1,438,251,000, an increase of $232,339,000, or 19 percent, over sales for 1973. This was the 11th consecutive year in which sales reached new highs. Approximately 50 percent of the increase was attributable to additional volume. Fluctuations in foreign exchange rates did not significantly affect the sales gain. This year's increase brings the compound annual growth in sales for the past 10 years to 11.6 percent.



Income

Income reached a new high of $55,520,000, an increase of 11 percent over income from continuing operations of $50,082,000 reported last year. The compound annual growth in these earnings, which are based on the ongoing operations of the company, has been 14.9 percent for the past 10 years. Income before extraordinary items increased by $8,968,000, or 19 percent, over 1973 income of $46,552,000, which included losses of $3,530,000 from discontinued and expropriated operations.



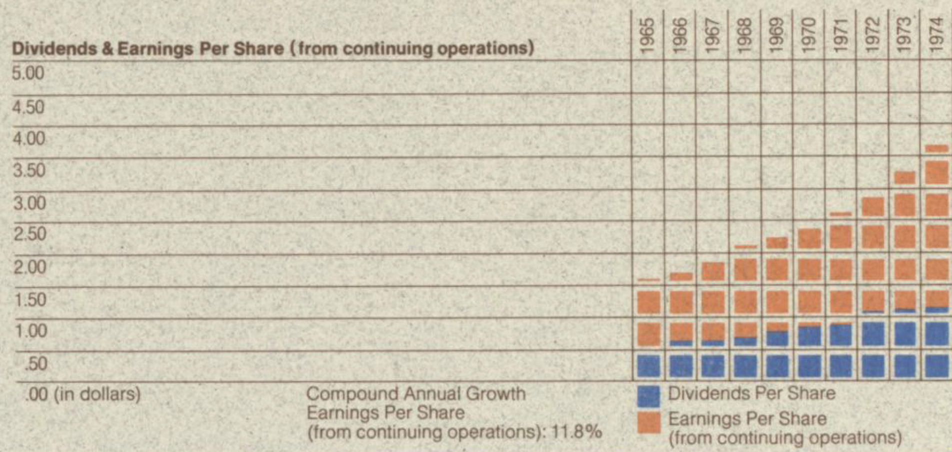
Net income after extraordinary items was $64,320,000 in 1974, compared with $21,552,000 in 1973, an increase of $42,768,000. Net income for 1974 included an extraordinary credit of $8,800,000,

compared with an extraordinary charge of $25,000,000 in 1973. These items are explained in note 8 of the Notes to Consolidated Financial Statements.

Earnings per share

Earnings per share increased by 36 cents to $3.67, a gain of 11 percent, over last year's per share earnings of $3.31 from continuing operations, achieving an 11.8 percent compound annual growth for the past 10 years. Earnings per share increased by 59 cents, or 19 percent, over 1973's earnings per share of $3.08 before extraordinary items.

Earnings per share after extraordinary items were $4.26, compared with $1.42 a year earlier.



Dividends

The quarterly dividend rate was increased to 28 cents per share in March, 1974, resulting in an annualized payout of $1.12 per share.

This was the seventh consecutive year in which dividends were increased.

In order to show the ongoing operations of the company, the historical information for 1965 through 1974 presented in the remainder of this financial review, as it relates to sales and income, excludes operations discontinued and expropriated during 1973.

Domestic and foreign operations

Sales of domestic companies, including those in U.S. possessions, amounted to $844,397,000, an increase of 20 percent over $704,588,000 in 1973, and represented 59 percent of consolidated sales. Sales of foreign companies amounted to $593,854,000, an increase of 18 percent over $501,324,000 in 1973. Domestic income increased to $31,490,000, or 18 percent over $26,626,000 in 1973, and represented 57 percent of 1974 income. Foreign income was $24,030,000, compared with $23,456,000 in 1973. The rate of increase in foreign earnings in 1974 relative to 1973 was affected by increases in effective foreign tax

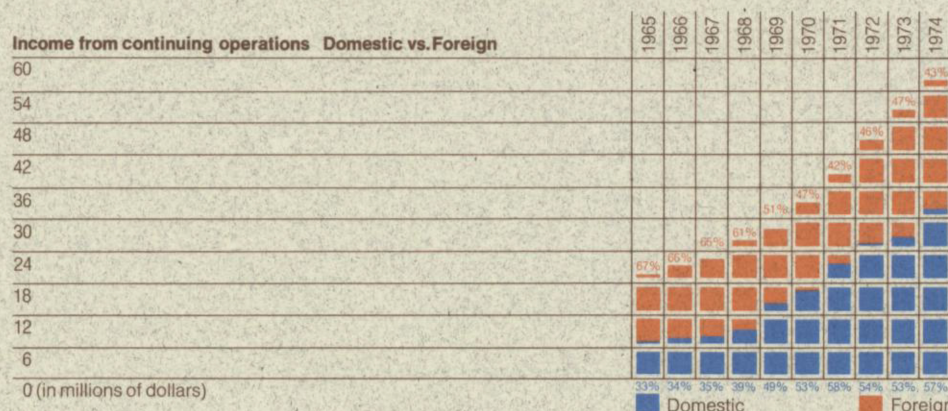
rates and a provision of $2,000,000 charged to foreign operations. This provision increased the reserve for international operations to $6,663,000 and recognized the greater exposure of foreign assets. The comparison of domestic and foreign net sales and income appears in the charts.

Net Sales Domestic vs. Foreign

Compound Annual Growth
Foreign: 9.4%
Domestic: 13.5%

Note: Sales of companies discontinued and expropriated in 1973 have been excluded.

Income from continuing operations Domestic vs. Foreign



Compound Annual Growth
Foreign: 7.7%
Domestic: 29.4%

Note: Operations of companies discontinued and expropriated in 1973 and extraordinary items in 1974, 1973, 1969 and 1968 have been excluded.

Government controls

During fiscal 1974, U.S. operations, as well as those in the United Kingdom, Italy and Australia, continued to be subject to government controls on prices and profit margins. These controls put pressure on our operating margins, resulting in a reduction in the consolidated gross profit percentage to 34.7 in 1974, as compared with 35.9 in 1973. Price controls continue in the United Kingdom, Italy and Australia. U.S. controls were lifted on April 30, 1974, but the company made a commitment to maintain certain prices on tomato-based products, pureed foods and BLENND drinks through July 1, 1974.

Quarterly results

Quarterly sales and income shown in the table below are influenced by seasonal factors, and results in any particular quarter do not reflect the over-all performance trend for the year. Sales and income increased in each quarter of 1974 over the comparable quarter of 1973. The losses in 1973 attributable to the discontinued and expropriated operations appear separately in order to provide a quarter-to-quarter comparison of the company's ongoing operations.

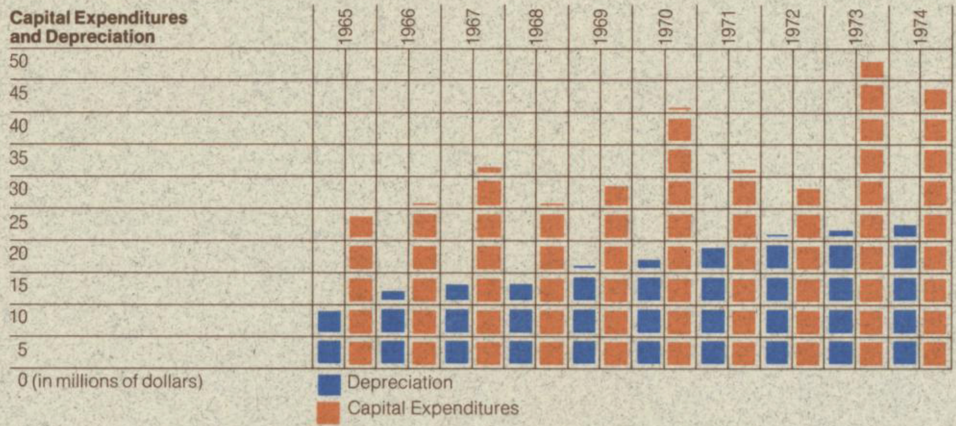
Financial Results by Quarter

(In thousands of dollars except per share amounts)

Net sales	1974	1973	Percentage Increases
First	$ 328,885	$ 267,634	22.9
Second	390,795	322,595	21.1
Third	343,000	281,824	21.7
Fourth	375,571	333,859	12.5
Total	$1,438,251	$1,205,912	19.3
Net income			
First	$ 9,720	$ 9,396	3.4
Second	14,976	14,201	5.5
Third	9,524	7,421	28.3
Fourth	21,300	19,064	11.7
	55,520	50,082	10.9
Discontinued and expropriated operations	—	(3,530)	
Extraordinary items	8,800	(25,000)	
Total	$ 64,320	$ 21,552	
Earnings per share			
First	$ .64	$ .62	3.2
Second	.99	.94	5.3
Third	.63	.49	28.6
Fourth	1.41	1.26	11.9
	3.67	3.31	10.9
Discontinued and expropriated operations	—	(.23)	
Extraordinary items	.59	(1.66)	
Total	$ 4.26	$ 1.42	

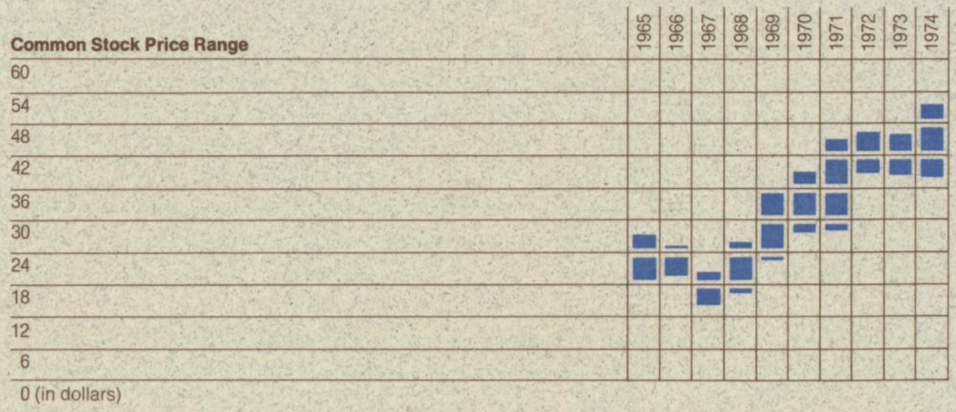
Capital expenditures

During 1974, major expenditures to increase property, plant and equipment amounted to $44,096,000. Projects completed or under way placed primary stress upon expanding production, replacing or upgrading older facilities, enlarging the company's ability to make its own containers, and keeping current with or ahead of environmental requirements.



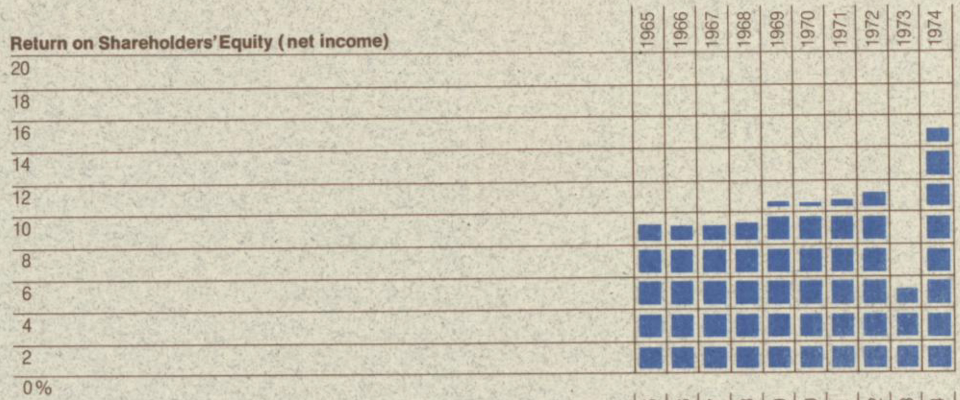
Stock market information

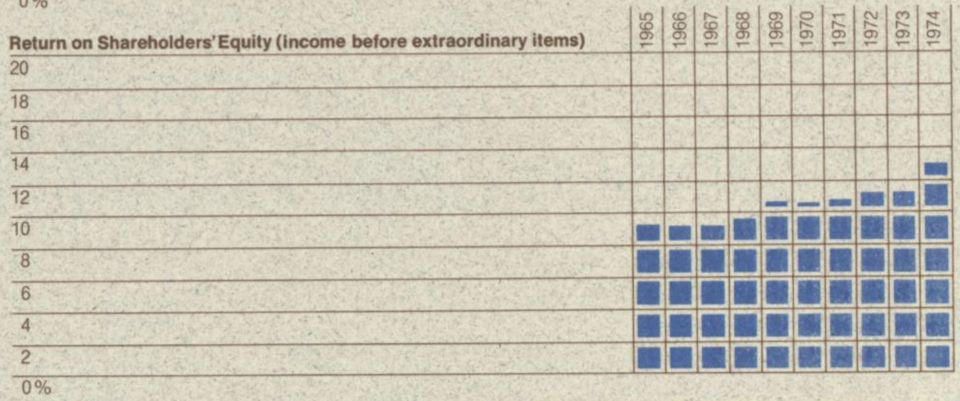
Approximately 2,784,000 of the company's common shares were traded on the New York Stock Exchange during fiscal 1974. The stock was traded in the range from $37.25 to $51.75, and closed on May 1, 1974 at $47.375. The chart shows the company's stock price range for the past 10 years.



Return on shareholders' equity

Return on shareholders' equity has increased from 9.4 percent in 1965 to 15.2 percent in 1974. The return of 15.2 percent on shareholders' equity for 1974 was influenced by an extraordinary credit of $8,800,000. Without this extraordinary credit, the return on shareholders' equity for 1974 was 13.1 percent. Further improvement in this important financial measurement remains a high-priority financial objective.





Form 10-K information

The company files an Annual Report on Form 10-K for 1974 with the Securities and Exchange Commission. For a copy, write to Corporate Public Relations Department, H. J. Heinz Company, P.O. Box 57, Pittsburgh, Pennsylvania 15230.

The Shareholders
H. J. Heinz Company:

We have examined the consolidated balance sheets of H. J. Heinz Company and consolidated subsidiaries as of May 1,1974 and May 2, 1973 and the related statements of income, additional capital, retained earnings and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements of certain subsidiaries, which are included in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us. The net assets and net sales of such subsidiaries constitute approximately 22 percent and 23 percent, respectively (22 percent as to both in 1973), of the related consolidated figures.

In our opinion, based on our examination and the aforementioned reports of other independent public accountants, the aforementioned financial statements present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries as of May 1,1974 and May 2,1973, and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Uncertainties regarding the provision for extraordinary losses on the discontinuance, disposal and expropriation of certain segments of the business in fiscal 1973 caused us to issue our report dated June 25,1973 on the Heinz consolidated financial statements subject to the outcome of that matter. Those uncertainties have been substantially resolved and such qualification is no longer required.

Peat, Marwick, Mitchell & Co.

Henry W. Oliver Building
Pittsburgh, Pennsylvania 15222
June 25,1974

H. J. Heinz Company and Consolidated Subsidiaries
Statements of Consolidated Income

Fiscal year ended	May 1, 1974 (52 weeks)	May 2, 1973 (52 weeks)
Net sales	$1,438,251,000	$1,205,912,000
Cost of products sold	939,565,000	772,525,000
Gross profit	498,686,000	433,387,000
Selling, general and administrative expenses, including provision for management incentive plan of $3,887,000 ($3,166,000 in 1973)	392,692,000	345,555,000
Operating profit	105,994,000	87,832,000
Other income, net	9,395,000	8,605,000
	115,389,000	96,437,000
Interest and amortization of debt discount and expense	21,077,000	13,813,000
Income from continuing operations before income taxes	94,312,000	82,624,000
Provision for income taxes	36,730,000	30,913,000
	57,582,000	51,711,000
Income applicable to minority interests	2,062,000	1,629,000
Income from continuing operations	55,520,000	50,082,000
Loss from discontinued and expropriated operations, less applicable income taxes	—	3,530,000
Income before extraordinary items	55,520,000	46,552,000
Extraordinary items, less estimated income taxes	8,800,000	(25,000,000)
Net income	$ 64,320,000	$ 21,552,000
Per common share amounts:		
Income from continuing operations	$3.67	$3.31
Loss from discontinued and expropriated operations	—	.23
Income before extraordinary items	3.67	3.08
Extraordinary items	.59	(1.66)
Net income	$4.26	$1.42

See notes to consolidated financial statements beginning on page 48.

H. J. Heinz Company and Consolidated Subsidiaries
Consolidated Balance Sheets

Assets	May 1, 1974	May 2, 1973
Current assets:		
Cash	$ 9,363,000	$ 18,904,000
Marketable securities, at cost which approximates market	72,274,000	77,939,000
Accounts and notes receivable:		
Trade	110,187,000	101,264,000
Sundry	36,841,000	14,980,000
	147,028,000	116,244,000
Less Allowance for doubtful accounts	1,208,000	989,000
	145,820,000	115,255,000
Inventories:		
Finished goods	255,390,000	261,226,000
Work-in-process	24,983,000	13,098,000
Ingredient and packaging materials	138,594,000	73,382,000
	418,967,000	347,706,000
Prepaid expenses	18,240,000	19,639,000
Total current assets	664,664,000	579,443,000
Investments and other assets:		
Investments in and advances to partnerships, unconsolidated subsidiaries and other companies, less estimated allowance of $17,500,000 in 1973 for reduction to net realizable values	17,092,000	10,484,000
Advances and loans	11,111,000	16,342,000
Excess of investments in consolidated subsidiaries over net assets at acquisition	13,104,000	12,487,000
Miscellaneous other assets	4,709,000	4,790,000
	46,016,000	44,103,000
Property, plant and equipment, at cost:		
Land	14,218,000	13,547,000
Buildings and leasehold improvements	144,010,000	135,573,000
Equipment, boats and fixtures	307,876,000	282,763,000
	451,886,000	418,336,000
Less Accumulated depreciation	192,413,000	177,729,000
	259,473,000	240,607,000
Lug boxes, baskets and pallets, less amortization	3,010,000	4,929,000
Net property, plant and equipment	276,701,000	259,083,000
	$987,381,000	$882,629,000

See notes to consolidated financial statements beginning on page 48.

Liabilities and Shareholders' Equity	May 1, 1974	May 2, 1973
Current liabilities:		
Short-term borrowings	$132,235,000	$110,161,000
Portion of long-term debt due within one year	3,767,000	9,101,000
Accounts payable:		
Trade	113,670,000	103,856,000
Sundry	12,511,000	11,635,000
	126,181,000	115,491,000
Accrued liabilities	46,129,000	37,499,000
Federal and foreign income taxes	32,448,000	21,126,000
Total current liabilities	340,760,000	293,378,000
Long-term debt and other liabilities:		
Long-term debt	130,615,000	129,899,000
Incentive profit-sharing plans	8,193,000	8,288,000
Deferred Federal and foreign income taxes	18,970,000	15,368,000
Future foreign income taxes	10,359,000	8,880,000
Sundry	9,659,000	8,502,000
	177,796,000	170,937,000
Reserve for international operations	6,663,000	4,605,000
Minority interests	14,728,000	14,102,000
Shareholders' equity:		
Capital stock:		
Cumulative preferred	2,921,000	3,030,000
Second cumulative preferred, having an involuntary liquidation value of $100 per share or $1,005,000 ($1,383,000 in 1973) based on shares outstanding:		
$3.50 first series	10,000	48,000
$3.50 second series	175,000	208,000
Common stock	62,883,000	62,818,000
	65,989,000	66,104,000
Additional capital	56,932,000	56,911,000
Retained earnings	325,165,000	277,418,000
	448,086,000	400,433,000
Less Treasury shares at cost	652,000	826,000
	447,434,000	399,607,000
	$987,381,000	$882,629,000

H. J. Heinz Company and Consolidated Subsidiaries
Statements of Consolidated Additional Capital and Retained Earnings

Fiscal year ended	May 1, 1974	May 2, 1973
Additional Capital		
Amount at beginning of year	$ 56,911,000	$ 56,438,000
Excess of:		
Option price over par value of common shares issued and over cost of treasury shares reissued under employees' incentive stock option plans	—	321,000
Cost of treasury shares reissued under employees' incentive stock option plans over option price	(85,000)	—
Par value over cost of preference stock retired (British subsidiary)	58,000	61,000
Par value of preferred shares over par value of common shares issued in exchange therefor	3,000	5,000
Par value over cost of cumulative preferred stock retired	45,000	86,000
Amount at end of year	$ 56,932,000	$ 56,911,000
Retained Earnings		
Amount at beginning of year	$277,418,000	$271,845,000
Add Net income for the year	64,320,000	21,552,000
	341,738,000	293,397,000
Deduct Dividends paid:		
On preferred stock:		
3.65% series	108,000	113,000
$3.50 series	38,000	52,000
	146,000	165,000
On common stock, $1.09 per share ($1.05 in 1973)	16,427,000	15,814,000
	16,573,000	15,979,000
Amount at end of year	$325,165,000	$277,418,000

See notes to consolidated financial statements beginning on page 48.

H. J. Heinz Company and Consolidated Subsidiaries
Statements of Consolidated Changes in Financial Position

Fiscal year ended	May 1, 1974	May 2, 1973
Funds Provided:		
Income before extraordinary items	$ 55,520,000	$ 46,552,000
Charges to income not requiring funds:		
Depreciation	22,535,000	20,950,000
Provision for international reserve	2,000,000	—
Deferred income taxes	3,602,000	2,343,000
Income applicable to minority interests	2,062,000	1,629,000
Loss from discontinued and expropriated operations	—	3,530,000
Other	791,000	473,000
Funds from operations before extraordinary items	86,510,000	75,477,000
Extraordinary items	8,800,000	(25,000,000)
Less Charges not requiring funds	—	10,020,000
	8,800,000	(14,980,000)
Long-term borrowings	3,914,000	56,056,000
Other items, net	872,000	(569,000)
Total funds provided	100,096,000	115,984,000
Funds Used:		
Additions to property, plant and equipment	44,096,000	48,322,000
Less Retirements and disposals	(3,943,000)	(3,350,000)
	40,153,000	44,972,000
Reduction in long-term debt	3,198,000	12,530,000
Acquisition of treasury shares	792,000	891,000
Dividends paid	16,573,000	15,979,000
Increase in investments and other assets (before noncash reductions in 1973 of $3,530,000 and $10,020,000)	68,000	6,587,000
Decrease in other liabilities	1,473,000	1,965,000
Total funds used	62,257,000	82,924,000
Increase in working capital	$ 37,839,000	$ 33,060,000
Changes in Working Capital:		
Increase (decrease) in current assets:		
Cash and marketable securities	$ (15,206,000)	$ 44,288,000
Accounts and notes receivable	30,565,000	1,397,000
Inventories	71,261,000	38,647,000
Prepaid expenses	(1,399,000)	4,724,000
	85,221,000	89,056,000
Increase (decrease) in current liabilities:		
Short-term debt	16,740,000	9,326,000
Accounts payable	10,690,000	44,615,000
Accrued expenses	8,630,000	6,796,000
Federal and foreign income taxes	11,322,000	(4,741,000)
	47,382,000	55,996,000
Increase in working capital	$ 37,839,000	$ 33,060,000

See notes to consolidated financial statements beginning on page 48.

1. Significant Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of the company and all significant domestic and foreign subsidiaries after all material intercompany transactions have been eliminated. Investments in unconsolidated subsidiaries, partnerships and other companies (primarily those in which the company owns from 20% to 50%) are carried at cost plus equity in undistributed earnings since acquisition. Income recorded on the equity method related to these entities is included in the accompanying statements of consolidated income after appropriate provision for income taxes.

The excess of cost of investments in consolidated subsidiaries over the net assets acquired subsequent to fiscal 1971 is being amortized over 40 years, and the excess arising prior to fiscal 1972 is not being amortized.

Translation of Foreign Currencies Current assets and liabilities are translated at the exchange rates in effect at the end of the fiscal year. Noncurrent assets and liabilities are translated at the exchange rates in effect when the transactions occurred except for deferred and future income taxes and sundry liabilities which are translated at the exchange rates in effect at the end of the year. Operating accounts are translated at average rates of exchange prevailing during the year except depreciation which is translated at the rates in effect when the related assets were acquired. Unrealized gains or losses on the translation of foreign currencies are credited or charged to the reserve for international operations. Gains on forward exchange contracts are recognized when realized and losses are recognized when anticipated. See note 9 for additional information regarding exchange adjustments.

Inventories Inventories are stated at the lower of cost (principally the average method) or replacement market.

Property, Plant and Equipment Property, plant and equipment are carried at cost. Major additions and betterments are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed in the year incurred. Property disposed of is removed from the asset and accumulated depreciation accounts, with the gain or loss recognized in the current income statement.

Depreciation For financial reporting purposes, depreciation is provided on the straight-line method over the estimated useful lives as follows:

Buildings	5-50 years
Equipment and Fixtures	3-30 years
Boats and Automotive Equipment	3-20 years

Accelerated depreciation methods are generally used for income tax purposes.

Income Taxes The company has not provided for deferred taxes on the undistributed earnings of foreign subsidiaries that are considered to be reinvested indefinitely. Where it is contemplated that earnings will be remitted, the credit for foreign taxes already paid generally offsets applicable U.S. income taxes. Deferred income taxes result principally from the differences between depreciation deducted for income tax purposes and for financial statement reporting. The investment tax credit is accounted for under the "flow-through" method, which recognizes the benefit in the fiscal year in which the asset is acquired and placed into service.

Retirement Systems It is the policy of the company and its consolidated subsidiaries to fund pension costs as accrued. Prior service costs are amortized over varying periods not exceeding 40 years.

Research and Development Expenses Expenditures for agricultural, processing and marketing research and development are charged against income as incurred.

Per Common Share Amounts Income per common share has been computed by dividing income applicable to common shareholders (that is, after deducting preferred dividends) by 15,069,813 (15,060,858 in 1973), which represents the weighted average number of shares of common stock outstanding during the respective years. Fully-diluted amounts per share, taking into account conversion of preferred stock and exercise of stock options, would not significantly differ from primary amounts per share.

2. Short-Term Borrowings

The average amount of short-term borrowings during 1974 was $127,894,000 and the related average interest rate was 9.3 percent. The maximum amount of short-term borrowings at any month-end during 1974 was $152,685,000.

The average interest rate was 10.4 percent at May 1,1974.

Lines of credit available at May 1, 1974 totaled $187,000,000, of which $55,000,000 was unused. These lines of credit are typically renewed from year to year and may be withdrawn or canceled by either party. The company generally maintains cash balances of 10 percent of the line of credit with domestic banks. These balances are not subject to withdrawal restrictions.

3. Long-Term Debt

Details of long-term debt at May 1,1974 and May 2, 1973 follow.

	Interest percent	Maturity (fiscal year)	1974	1973
United States Dollars:				
Promissory notes	4½%	1974	$ —	$ 5,750,000
Promissory notes	to 12	1975-82	4,007,000	2,826,000
Promissory notes	5¼	1975-84	10,000,000	11,000,000
Promissory notes	6⅝	1979-93	40,000,000	40,000,000
Debentures	7¼	1984-98	50,000,000	50,000,000
Mortgages and contracts	to 7	1975-2000	4,684,000	5,352,000
			108,691,000	114,928,000
Foreign Currencies (U.S. dollar equivalents):				
Promissory notes:				
British pounds	5½	1975-76	152,000	192,000
Portuguese escudos	7¾	1975-77	719,000	932,000
Australian dollars	to 9	1975-77	5,348,000	5,616,000
Italian lire	to 4	1975-88	12,077,000	9,875,000
Debentures:				
British pounds	to 6	1975-85	7,334,000	7,396,000
Mortgages	to 7	1975-77	61,000	61,000
			25,691,000	24,072,000
Total long-term debt			134,382,000	139,000,000
Less Portion due within one year:				
United States dollars			2,048,000	7,789,000
Foreign currencies			1,719,000	1,312,000
			3,767,000	9,101,000
			$130,615,000	$129,899,000

Under the most restrictive covenants of the indenture relating to the company's 7¼ percent debentures, retained earnings of $86,000,000 at May 1, 1974 ($39,000,000 at May 2, 1973) were available for dividends.

Property, plant and equipment of domestic and foreign subsidiaries amounting to $48,048,000 are subject to liens to secure $16,686,000 of indebtedness of such subsidiaries. In addition, current assets

of $182,875,000 and property, plant and equipment of $64,405,000 of certain foreign subsidiaries could become subject to liens to secure indebtedness of $12,607,000 in the event of default under the provisions of the related loan agreements.

Long-term debt of unconsolidated subsidiaries and entities, incurred primarily to acquire boats, aggregated $12,585,000 at May 1, 1974. The company and a subsidiary have guaranteed long-term debt of unconsolidated entities and other third parties aggregating $10,888,000 at May 1, 1974, substantially all of which is included in the foregoing amount.

Principal payments, exclusive of unconsolidated subsidiaries and entities, due on long-term debt outstanding at May 1, 1974 during the four years succeeding fiscal 1975 are as follows:

1976	$ 4,197,000
1977	$ 7,737,000
1978	$ 3,866,000
1979	$ 6,545,000

4. Capital Stock

The number of shares authorized, outstanding, issued, retired, or converted, and the par values of the company's capital stock appear in the table following this note.

The 3.65% series cumulative preferred stock is callable or redeemable through the sinking fund at $102.75 per share. Payments (or open market purchases of such stock) aggregating $200,000 are required to be made to the sinking fund on or before October 1 of each year. The company has fulfilled its sinking fund obligation through fiscal 1975.

The $3.50 first series second cumulative preferred stock may be redeemed by the company at $100 per share. On or before each August 1, so long as any shares of this series are outstanding, the company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise at least 2 percent of the total number of shares outstanding (659 shares) at the close of business on June 1, 1973.

The $3.50 second series cumulative preferred stock is convertible into common stock at any time prior to February 1, 1976 at an initial conversion rate of four shares of common stock or may be redeemed by the company at $100 per share. On or before April 1, 1976, and on or before each April 1 thereafter, so long as any shares of this series are outstanding, the company (as and for an annual sinking fund) shall retire through redemption, purchase or otherwise shares of this series equal to 2 percent of the total number of shares outstanding at the close of business on February 1, 1976.

At May 1, 1974 and May 2, 1973, there were authorized, but unissued, 100,000 shares of cumulative preferred stock for which the series has not been designated, 1,755 shares of second cumulative preferred stock for which the series has not been designated, and 250,000 shares of third cumulative preferred stock having a par value of $100 per share.

At May 1, 1974, 396,448 shares (441,976 at May 2, 1973) of common stock were reserved for conversion of $3.50 second series cumulative preferred stock outstanding and for outstanding options or for the granting of options under the employees' stock option plans.

	Preferred stocks				
		Second cumulative preferred			
	Cumulative preferred 3.65% series $100 par	$3.50 First series $18.50 par	$3.50 Second series $18.50 par	Common stock $4.16⅔ par	Treasury stock
Year ended May 2, 1973:					
Outstanding at beginning	32,350	2,790	13,783	15,051,939	5,248
Reacquired and retired	(2,050)	—	—	—	—
Converted to common stock	—	(180)	(2,564)	—	—
Treasury stock acquired	—	—	—	—	21,800
Issued:					
For second cumulative preferred stock:					
$3.50 first series	—	—	—	798	—
$3.50 second series	—	—	—	10,256	—
On exercise of stock options	—	—	—	13,340	(3,250)
Outstanding at end	30,300	2,610	11,219	15,076,333	23,798
Authorized at end	30,300	2,610	11,219	20,000,000	—
Year ended May 1, 1974:					
Outstanding at beginning	30,300	2,610	11,219	15,076,333	23,798
Reacquired and retired	(1,092)	(98)	—	—	—
Converted to common stock	—	(1,952)	(1,732)	—	—
Treasury stock acquired	—	—	—	—	19,600
Issued:					
For second cumulative preferred stock:					
$3.50 first series	—	—	—	8,670	—
$3.50 second series	—	—	—	6,928	—
On exercise of stock options	—	—	—	—	(27,000)
Outstanding at end	29,208	560	9,487	15,091,931	16,398
Authorized at end	29,208	560	9,487	20,000,000	—

5. Employees' Stock Option and Management Incentive Plans

The 1970 Stock Option Plan (1970 Plan) permits the granting of options to purchase a maximum of 300,000 shares of common stock of the company. The option price must not be less than the fair market value at the time the options are granted for qualified options and non-qualified options to purchase unrestricted shares. The price cannot be less than the fair value as determined by the Executive Compensation Committee at the time options are granted for nonqualified options to purchase restricted shares. The Committee determines the period during which options are exercisable, which may not exceed five years for qualified options or 10 years for nonqualified options. No options may be granted after June 9,1980, the expiration date of the plan.

The qualified employees' incentive stock option plan (Plan No. 2) permits the granting of options on shares of common stock of the company at not less than the fair market value at the time the options are granted. The options are exercisable at any time within five years from the date of grant but no later than July 9,1975, the expiration date of the plan.

Data regarding options granted and exercised and shares reserved for additional grants (combined plans) are presented in the table below.

		Fair market value at date of grant	
For the year ended May 2,1973:	Shares	Range	Total
Shares under option at beginning	89,490	\$22.00-\$42.12½	\$3,094,006
Options granted	26,745	41.75 - 42.00	1,122,790
Options exercised	16,590	22.00 - 32.75	464,043
Shares under option at end	99,645	\$31.00-\$42.12½	\$3,752,753
Shares reserved for granting of additional options	285,855		
For the year ended May 1,1974:			
Shares under option at beginning	99,645	\$31.00-\$42.12½	\$3,752,753
Options granted	122,442	38.00 - 51.50	5,204,128
Options exercised	27,000	31.00 - 40.00	882,225
Shares under option at end	195,087	\$31.00-\$51.50	\$8,074,656
Shares reserved for granting of additional options	163,413		

The fair market value per share at the dates on which options were exercised ranged from \$41.50 to \$51.00 in 1974 and from \$40.00 to \$46.00 in 1973, and the total fair market values of those options at the same dates were \$1,220,000 and \$710,000, respectively.

The Management Incentive Plan, adopted in fiscal 1969, covers certain key employees of the company and its subsidiaries. Participants in the plan may elect to be paid on a current or deferred basis. The aggregate amount of all awards may not exceed certain limits in any fiscal year.

6. Income Taxes

The following constitutes the provisions for Federal, State, U.S. Possessions and foreign taxes on income for 1974 and 1973.

	1974	1973
Federal, State, and U.S. Possessions:		
Current	$13,025,000	$10,794,000
Deferred	1,347,000	280,000
	14,372,000	11,074,000
Foreign:		
Current	20,103,000	17,776,000
Deferred	2,255,000	2,063,000
	22,358,000	19,839,000
	$36,730,000	$30,913,000

The current provision for Federal taxes in 1974 included a reduction for the investment tax credit amounting to $929,000 ($683,000 in 1973).

The deferred provision primarily represents the tax effect of using accelerated methods of depreciation for tax purposes compared with the straight-line method used for financial reporting.

The provisions for taxes on income for 1974 and 1973 were 38.9 percent and 37.4 percent, respectively, of pretax income. The following reconciles the United States statutory rate with the effective rates.

	1974	1973
United States statutory tax rate	48.0%	48.0%
Investment tax credit	(1.0)	(0.8)
Income of foreign subsidiaries taxed at foreign tax rates	(1.0)	(2.1)
Income of U.S. Possession subsidiaries taxed at possession tax rates	(8.5)	(8.5)
State income taxes (net of Federal income tax benefit)	1.0	0.7
Other	0.4	0.1
	38.9%	37.4%

The company and certain domestic subsidiaries file a consolidated Federal income tax return. The Federal income tax returns have been examined and settled for all fiscal years through April 30,1969.

7. Retirement Systems

The company and the majority of its domestic and foreign subsidiaries have several pension plans covering substantially all employees. The total pension expense for 1974 was $10,312,000 ($7,306,000 in 1973). No unrealized appreciation was taken into account in determining the company's domestic expense for 1974, because of a decline in market value of the related pension trust investments.

The actuarially computed vested benefits of the plan covering employees of the company and its significant domestic subsidiaries exceeded fund assets by approximately $1,920,000 at May 1, 1974.

The unfunded past service cost of the company and its consolidated subsidiaries approximated $35,000,000 at May 1, 1974.

8. Extraordinary Items

The extraordinary credit in 1974 of $8,800,000 resulted from the completion of the phase-out of the company's Mexican operations on a more favorable basis than was originally anticipated and payments received and expected as final compensation for a wholly-owned subsidiary which was expropriated by the Peruvian Government in May, 1973. This credit is after estimated Federal income taxes of $7,700,000, which takes into account the reversal of a $5,000,000 tax benefit established in 1973 in connection with an extraordinary charge.

In 1973, the extraordinary charge of $25,000,000 (after estimated income tax benefits of $6,500,000) reflected management's best estimate of costs and potential losses on the phase-out of the Mexican operations, expropriation of a Peruvian subsidiary, withdrawal of direct farming operations of Ore-Ida Foods, Inc. and disposal of certain assets of a United Kingdom subsidiary.

9. Foreign Operations

A condensed balance sheet of consolidated foreign subsidiaries is presented below.

	May 1, 1974	May 2, 1973
Current assets	$277,245,000	$211,376,000
Current liabilities	151,884,000	107,681,000
Working capital	125,361,000	103,695,000
Fixed and other assets	147,385,000	133,669,000
Long-term debt and other liabilities	(80,186,000)	(67,827,000)
Net assets	$192,560,000	$169,537,000

Realization in U.S. dollars of assets located outside the United States is limited in certain instances by currency and other restrictions.

Undistributed earnings of foreign subsidiaries amounted to $160,082,000 at May 1, 1974.

The company maintains a reserve for international operations to which unrealized gains resulting from currency fluctuations are credited. The reserve is used to absorb unrealized losses caused by currency fluctuations and abnormal losses incurred by foreign companies. During 1974, unrealized gains amounting to $58,000 were credited to the reserve. (In 1973, unrealized losses charged to the reserve were $914,000.) In addition, a provision of $2,000,000 has been charged against consolidated income in 1974 to provide for exposure of increased foreign assets. The above mentioned provision together with realized exchange losses of $1,156,000 is included in the statements of consolidated income. In 1973, realized exchange gains included in consolidated income amounted to $1,573,000.

The company translates long-term debt payable in foreign currencies at the exchange rates in effect when the liabilities were incurred. If these debts had been translated at the exchange rates in effect at May 1,1974, long-term debt would have increased by $1,490,000 and the reserve for international operations would have decreased by a corresponding amount.

Unperformed forward exchange contracts were insignificant at May 1,1974.

10. Leases

The net rental commitments under all noncancelable leases as of May 1, 1974 are shown in the following tabulation.

Period	Real estate	Equipment	Total
1975	$ 3,929,000	$ 2,598,000	$ 6,527,000
1976	3,649,000	2,123,000	5,772,000
1977	3,425,000	1,635,000	5,060,000
1978	3,214,000	1,132,000	4,346,000
1979	2,872,000	891,000	3,763,000
1980-1984	12,085,000	864,000	12,949,000
1985-1989	10,771,000	264,000	11,035,000
1990-1994	6,076,000	17,000	6,093,000
1995 and thereafter	4,009,000	—	4,009,000

Noncapitalized financing leases are not material in relation to the company's operations.

11. Supplementary Data

Set forth below is a summary of accrued liabilities and certain expense accounts.

	1974	1973
Accrued liabilities:		
Salaries and wages	$ 12,174,000	$ 9,948,000
Taxes, other than on income	5,243,000	4,660,000
Other	28,712,000	22,891,000
	$ 46,129,000	$ 37,499,000
Supplemental income statement information:		
Maintenance and repair expense	$ 35,761,000	$ 37,931,000
Depreciation expense	$ 22,535,000	$ 20,950,000
Tax expense, other than on income	$ 27,150,000	$ 22,064,000
Rent expense	$ 12,600,000	$ 13,410,000
Advertising expense	$131,065,000	$122,207,000

12. Other Matters

Litigation reported last year relating to the tax deductibility of technical service fees paid by one of the company's foreign subsidiaries to another affiliate has been resolved in favor of the subsidiary.

Certain claims filed against the company and/or its subsidiaries have not been finally adjudicated. In the opinion of management, these claims, when finally determined, will not have a material adverse effect on the consolidated financial statements.

Contracts and purchase orders of approximately $23,662,000 at May 1, 1974 have been executed in connection with plant construction.

Certain accounts previously reported for 1973 have been reclassified to conform with 1974 presentation.

The Board of Directors of the company has approved a merger agreement whereby Ocean Fisheries, Inc., a tuna fishing company, would be acquired by a subsidiary of the company. This agreement is subject to approval by the shareholders of Ocean Fisheries, Inc. and favorable tax rulings. The total amount to be received by the selling shareholders would be approximately $17,500,000.

H. J. Heinz Company and Consolidated Subsidiaries
10-Year Financial Summary

Fiscal year	1974	1973	1972	1971
Operating Statistics:				
Net sales	$1,438,251	$1,205,912	$1,098,862	$ 939,014
Income from continuing operations before income taxes	94,312	82,624	77,019	64,667
Taxes on income	36,730	30,913	30,702	25,159
	57,582	51,711	46,317	39,508
Income applicable to minority interests	2,062	1,629	1,638	1,337
Income from continuing operations	55,520	50,082	44,679	38,171
Income (loss) from discontinued and expropriated operations	—	(3,530)	(2,392)	(503)
Income before extraordinary items	55,520	46,552	42,287	37,668
Extraordinary items	8,800	(25,000)	—	—
Net income	64,320	21,552	42,287	37,668
Per common share amounts:				
Income from continuing operations	3.67	3.31	2.96	2.56
Income (loss) from discontinued and expropriated operations	—	(.23)	(.16)	(.03)
Income before extraordinary items	3.67	3.08	2.80	2.53
Extraordinary items	.59	(1.66)	—	—
Net income	4.26	1.42	2.80	2.53
Depreciation	22,535	20,950	20,143	19,667
Other Data:				
Dividends paid:				
Common	16,427	15,814	15,178	14,468
Preferred	146	165	184	314
Additions to property, plant and equipment	44,096	48,322	28,067	30,449
Shareholders' equity	447,434	399,607	394,519	366,969
Book value per common share	29.42	26.25	25.89	24.10
Common dividends paid per common share	1.09	1.05	1.01	.98
Average number of common shares outstanding	15,069,813	15,060,858	15,025,539	14,777,214
Price range of common stock:				
High	51¾	46¼	47¼	45⅛
Low	37¼	38	38¾	28¾

All amounts are in thousands except number of shares and per share data.

1970	1969	1968	1967	1966	1965
$ 838,136	$ 758,861	$ 711,192	$ 671,810	$ 602,830	$ 540,125
56,529	48,759	46,543	38,956	36,447	33,930
22,198	19,254	19,631	14,558	14,009	13,952
34,331	29,505	26,912	24,398	22,438	19,978
1,241	1,156	1,283	1,281	1,229	1,048
33,090	28,349	25,629	23,117	21,209	18,930
(1,384)	(762)	(1,225)	(1,587)	(905)	289
31,706	27,587	24,404	21,530	20,304	19,219
—	59	(1,910)	—	—	—
31,706	27,646	22,494	21,530	20,304	19,219
2.44	2.27	2.10	1.89	1.72	1.52
(.10)	(.06)	(.11)	(.13)	(.07)	.03
2.34	2.21	1.99	1.76	1.65	1.55
—	.01	(.16)	—	—	—
2.34	2.22	1.83	1.76	1.65	1.55
16,788	15,272	13,747	13,662	12,962	9,660
11,573	9,506	7,718	6,839	7,062	6,073
635	1,187	1,512	1,535	1,362	1,229
40,047	28,810	25,065	31,081	25,041	24,815
341,005	275,610	254,522	240,549	227,333	216,441
22.63	20.21	18.46	17.27	16.12	15.06
.88	.79½	.67½	.60	.60	.50
13,252,859	11,930,741	11,487,092	11,402,438	11,397,738	11,384,220
39	36	25⅜	20⅝	24⅝	27¼
28¼	23½	17	13⅞	19¼	18

World Headquarters	P.O. Box 57 Pittsburgh, Pennsylvania 15230
Heinz U.S.A. Division Established 1869	Pittsburgh, Pennsylvania Raymond F. Good, President Factories: Bowling Green, Ohio/Chambersburg, Pennsylvania/Fremont, Ohio/Holland, Michigan/Isleton, California/Lakeview, Michigan/Muscatine, Iowa/Pittsburgh, Pennsylvania/, Salem, New Jersey/Schaumburg, Illinois/Stockton, California/Tracy, California/Watsonville, California/Winchester, Virginia
Star-Kist Foods, Inc. Acquired 1963	Terminal Island, California Joseph J. Bogdanovich, President Factories: Terminal Island, California/Muscatine, Iowa/Perham, Minnesota/Coishco, Peru Cold Storage Stations: Senegal/Tema, Ghana/Republic of the Congo/Paita, Peru/Papua, New Guinea/Tahiti/New Zealand
Star-Kist Caribe, Inc. Acquired 1963	Factory: Mayaguez, Puerto Rico
Star-Kist Samoa, Inc. Acquired 1963	Factory: Pago Pago, American Samoa
Star-Kist International S.A. Acquired 1963	Panama City, Panama
Starkan, Inc. Established 1968	Factory: Mayaguez, Puerto Rico
Ore-Ida Foods, Inc. Acquired 1965	Boise, Idaho Robert K. Pedersen, President Factories: Ontario, Oregon/Burley, Idaho/Greenville, Michigan
H. J. Heinz Company Australia Ltd. Established 1935	Dandenong, Victoria Fred V. Kellow, Managing Director Factory: Dandenong, Victoria
Epicure Continental Food Company Pty. Ltd. Acquired 1972	Moorabbin, Victoria H. H. Huppert, Managing Director
The Stanley Wine Company Pty. Ltd. Acquired 1971	Clare, South Australia K. H. Knappstein, Managing Director
Baltic Merchandising Pty. Ltd. Acquired 1973	Melbourne, Victoria A. J. Bresner, Managing Director
H. J. Heinz Company of Canada Ltd. Established 1909	Toronto, Ontario Albert Forsyth, President Factory: Leamington, Ontario
Galco Food Products Ltd. Acquired 1971	Toronto, Ontario H. Gallinger, President
Nichiro Heinz Company Ltd. Established 1961	Tokyo, Japan Kazuo Asai, President Factory: Kurihama

Alimentos Heinz C.A. Established 1959	Valencia, Carabobo, Venezuela John G. Johnson, President Factory: San Joaquin, Carabobo
Pommy's Alimentos Ltda. Acquired 1972	Americana, Sao Paulo, Brazil
H. J. Heinz Company Ltd. Established 1905	Hayes, Middlesex, England John A. Connell, Deputy Chairman Charles F. Lowe, Managing Director Factories: Harlesden (London)/Kitt Green/Standish
W. Darlington and Sons Ltd. Acquired 1969	Rustington, Sussex George A. Corrin, Managing Director Robert G. Darlington, Chairman Farms: Rustington/Horley
Pickerings Foods Ltd. Acquired 1969	Hayes, Middlesex J. G. Dudlyke, Managing Director Management control of factories at: Didcot, Berks (The Samor Pure Foods Ltd.) Halnaker, Chichester (J.G. Read Poultry Ltd.) Coleraine, Northern Ireland (Pickerings Foods Ltd.)
Heinz-Erin Ltd. Established 1967	Dublin, Ireland Charles F. Lowe, Managing Director Brendan G. Doyle, Managing Director
Heinz Sagima (Maroc) Established 1974	Rabat, Morocco Abderrahim Cherkaoui, President
Heinz-Perrier S.A. Established 1973	Paris, France Jean S. Menasche, Chairman
H. J. Heinz A/S Established 1969	Copenhagen, Denmark Dennis F. J. Shattock, Chairman
Central Europe Area Office **H. J. Heinz S.A./N.V.**	Brussels, Belgium John H. Newhall, Director
H. J. Heinz B.V. Acquired 1958	Elst, Gelderland, The Netherlands John H. Newhall, Acting Managing Director Factory: Elst, Gelderland
H. J. Heinz Company (Belgium) S.A./N.V. Established 1947	Brussels, Belgium S. Lindmark, General Manager, Marketing and Sales
H. J. Heinz GmbH Established 1970	Düsseldorf, Germany S. A. Launder, General Manager, Marketing and Sales, Germany
Industrias de Alimentacao Limitada Acquired 1965	Lisbon, Portugal Jorge Giralt, General Manager Factory: Benavente
Societa del Plasmon S.p.A. Acquired 1963	Milan, Italy Dr. Nicolo Pellizzari, Managing Director Factories: Milan/Latina

H. J. Heinz Company
Directors and Officers

Board of Directors

Henry J. Heinz II	Chairman Director since 1936
R. Burt Gookin	Vice Chairman and Chief Executive Officer Director since 1959
Anthony J. F. O'Reilly	President and Chief Operating Officer Director since 1971
Franklin E. Agnew	Senior Vice President Director since 1971
Joseph J. Bogdanovich	Senior Vice President; President, Star-Kist Foods, Inc. Director since 1963
Frank M. Brettholle	Senior Vice President—Finance Director since 1973
John A. Connell	Senior Vice President; Deputy Chairman, H. J. Heinz Company Ltd. Director since 1968
Vira I. Heinz	Civic Leader and Trustee, Howard Heinz Endowment Director since 1962
Lewis A. Lapham	Director, Various Corporations Director since 1957
John A. Mayer	Chairman of the Board, Mellon Bank N.A., Pittsburgh, Pennsylvania Director since 1959
Donald C McVay	Senior Vice President—Corporate Development Director since 1968
John T. Ryan, Jr.	Chairman of the Board, Mine Safety Appliances Company, Pittsburgh, Pennsylvania Director since 1961
William P. Snyder III	President, The Shenango Furnace Company, Pittsburgh, Pennsylvania Director since 1961
S. Donald Wiley	Senior Vice President, Secretary and General Counsel Director since 1972

Officers

Henry J. Heinz II*	Chairman of the Board
R. Burt Gookin*	Vice Chairman and Chief Executive Officer
Anthony J. F. O'Reilly*	President and Chief Operating Officer
Franklin E. Agnew*	Senior Vice President
Joseph J. Bogdanovich	Senior Vice President
Frank M. Brettholle*	Senior Vice President—Finance
John A. Connell	Senior Vice President
J. Wray Connolly	Treasurer
David A. Lattanzio	Corporate Controller
Donald C McVay*	Senior Vice President—Corporate Development
S. Donald Wiley*	Senior Vice President, Secretary and General Counsel

*Member of the Executive Committee

Transfer Agent, Registrar and Disbursing Agent	Mellon Bank N.A. Pittsburgh, Pennsylvania
Auditors	Peat, Marwick, Mitchell & Co. Pittsburgh, Pennsylvania
Stock Listing	New York Stock Exchange Ticker Symbol HNZ

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